

Pakistan's

Listed Life Insurance Industry Performance Analysis – Year End 2023

Date: August 5, 2024



Vision

Solution architects strengthening our partners to optimize performance

Mission

We help our clients be the best version of themselves by fostering partnerships, challenging norms and providing cutting edge solutions. We inspire our people to constantly evolve and chase excellence with integrity in a diverse, exciting and growth-oriented culture.

Core Values



Integrity

**Chasing
Excellence**

**Fostering
Partnerships**

**Breeding
Excitement**

**Growth-
Centric**



InsureTek Golden Shield Excellence Awards 2024

Newest Award on our shelf:
Best Actuarial Company of the Year
BADRI Management Consultancy



Awards & Achievements

Award winning strategic partner to the insurance industry with our 170+ talented staff in UAE, KSA, Pakistan and Egypt drive innovation and provide cutting edge solutions to our business partners across the globe. We strive to ensure that we provide the best quality solutions, turning our experience and industry knowledge into value for our clients.

Our Awards

- Strategic Partner to the Industry 2023, 2022, 2021 & 2020 by MIIA.
- Best Actuarial/Risk Consultancy Firm of 2023, 2018 & 2016 by MENAIR.
- Corporate Risk Manager of the Year 2023 by InsureTek.
- Best Internship Program Award by Employee Happiness Awards.





About **BADRI**

BADRI over the years has emerged to be a global consulting company that provides diverse sets of services to clients across Middle East and other regions.

Today, our **180+** talented staff spread across UAE, KSA, Pakistan & Egypt drive innovation and provide cutting edge solutions to our business partners across the globe. We strive to ensure that we provide the best quality solutions, turning our experience and industry knowledge into value for our clients.

We specialize in all range of actuarial services and have also been able to integrate to provide services in other segments including Financial Services, Strategic HR consulting, Data Management and Business Intelligence to our clients.

What We Can Do For You!

Actuarial Consultancy

- Appointed Actuary
- End of Services
- Actuarial Support for General & Life Insurance
- IFRS-17
- Pricing, Reserving & Capital Modelling
- Actuarial Support for Motor & Medical Insurance

Strategic Consultancy

- Financial Services
- Strategic HR Consultancy
- ERM
- Product Development
- Merger and Acquisition
- Compliance and Forensics
- Advisory & Risk Management

Technology Consultancy

- Digitalization
- Business Intelligence
- Data Management
- Big Data & Analytics
- IFRS-17 Systems



ACE-17

ACE-17, our flagship IFRS-17 calculation engine, provides a seamless and cost-effective solution to generate the IFRS-17 financials and disclosures, saving your time and effort in your IFRS-17 reporting processes. Users can move through an intuitive, fully transparent, and flexible calculation process that is built to generate all the reporting requirements to deliver the IFRS-17 financial statements.



Financial Services

Our professional and dedicated team possess the expertise in financial services domain and offer wide range of services. Our core services are:

- IFRS Implementation
- Reconciliation Services
- MIS Reporting
- Backlog Accounting
- Loan Staff (Outsource)

Reconciliation Services

- Improve collections from insurance companies/ brokers and customers by reconciling the statement of account on regular basis.
- Accurate reporting of LRC and LIC balances. As currently most businesses struggled to isolate their receivables, payables, and commission from their net position.
- Reduce risk of error and compliance with regulation/ standard.

Loan Staff

- Availability of Qualified and competent staff immediately.
- No lengthy hiring process as no change in the headcount.
- Benefit from a consultant's knowledge of the market.
- Cost containment.



Invest In Your Team

métier – a BADRI Group Company is a renowned boutique Executive search and HR solutions consulting firm that works with teams across the globe, to develop a tailored HR plan and resolve your business challenges.

We take a personalized approach in ensuring that the solutions provided to you are in line with your company strategy to help you achieve your business goals through sustainable HR practices.

Since our inception in 2014, we have been recognized as Executive search leaders across multiple industries in the MENA region. métier's seasoned professionals focus on your HR transformation, while you focus on your business.

Our Competitive Edge

- Improving Workplace Productivity
- Increasing Value Through People
- Inspiring Partnerships

Our Service Offerings

- Strategic HR Consulting
- Digital HR Solutions
- Talent Acquisition Services
- Training Solutions

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2023 Highlights

Gross Premium –
Private Sector

PKR **135** Billion
2022: PKR 127 Billion

Gross Premium –
Public Sector

PKR **269** Billion
2022: PKR 244 Billion

Investment
Income

PKR **229** Billion
2022: PKR 162 Billion

Profit after tax

PKR **20** Billion
2022: PKR 18 Billion

Highest GWP Recorded by Private Sector
JLICL at PKR **46 Bn**

Highest Growth in GWP Recorded by
PQFT at **59%**

Highest first-year Persistency by
SLIC at **81%**

Highest subsequent year Persistency by
SLIC at **91%**

Lowest Claim Ratio by
ALAC at **39%**

Highest Investment Income Recorded by
SLIC at PKR **149 Bn**

Highest invested assets by
SLIC at PKR **1,386 Bn**

Highest Growth in PAT by
IGIL at **240%**

Highest PAT Recorded by
SLIC at PKR **15 Bn**

Highest Investment Return by
ALAC & EFUL at **17%**

PACRA Key	
Rating	Capacity
A++	Exceptionally Strong
AA+	
AA	Very Strong
AA-	
A+	Strong
A	
A-	
BBB+	Good
BBB	
BBB-	
BB+	Weak
BB	
BB-	
B+	Very Weak
B	
B-	
CCC	Very high credit risk
CC	
C	
D	Distressed

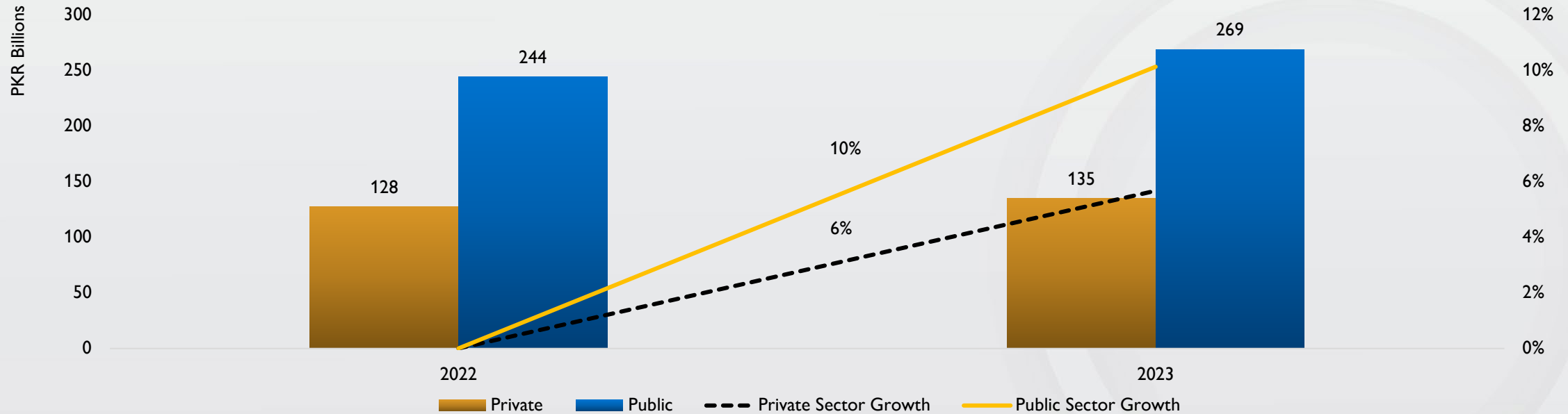
JCR-VIS Key	
Rating	Capacity
AA++	Exceptionally Strong
AA+, AA, AA	Very Strong
A+, A, A	Strong
BBB+, BBB, BBB	Strong
BB+, BB, BB	Weak
B+, B, B	Very Weak
CCC	Very high credit risk
CC	Very high credit risk
C	Distressed
D	Distressed

Companies	2021		2022		2023	
	JCR-VIS	PACRA	JCR-VIS	PACRA	JCR-VIS	PACRA
Adamjee		A+		A++		A++
ALAC		A-		A		A
EFUL	AA+		AA++		AA++	
IGIL		A+		A++		A++
JLICL	AA+		AA++		AA++	AA++
DFTL		A		A+		A+
PQFT	A+	A+	A++	A++	A++	A++
SLIC		AAA		AAA		AAA

The participants of life insurance industry have been able to maintain their IFS ratings in 2023.



Gross Premium Growth Trend



The premium for the listed life insurance companies overall for the year 2023 is PKR 404 billion compared to the level in 2022 which was PKR 372 billion.

The bar graph shows that the public sector has consistently dominated the life insurance industry with a market share of 67% in terms of Gross Premium. The private sector experienced a growth rate of 5.7% in 2023 while the public sector experienced a sharper growth of 10%.

**As part of this analysis public sector only includes SLIC*

Gross Written Premium - Company



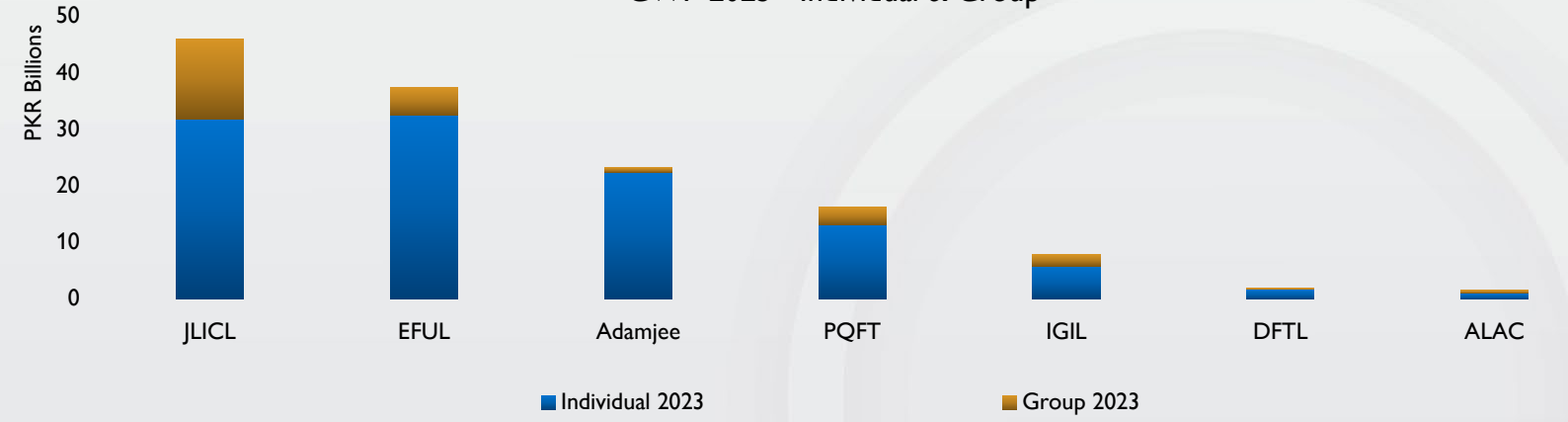
The breakdown of gross premiums indicates that most life insurance companies primarily issue individual life policies, which mainly consist of unit-linked policies. Within this segment, 9% are single premiums, 17% are new business, and the remaining majority are subsequent-year premiums, making up a significant portion of the premiums for listed life insurance companies. The low number of term life policies sold in this region highlights consumers' preference for investment returns over protection.

Adamjee writes almost 96% of their business in individual life policies which is the highest proportion in the industry.

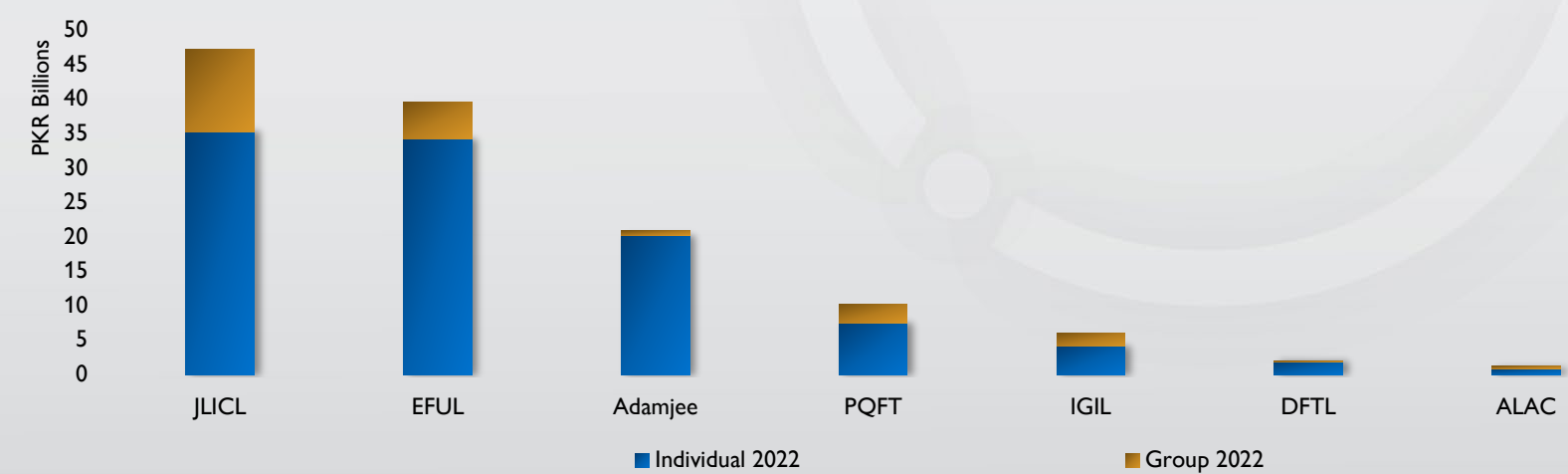
SLIC has not been included in this chart, but it dominates the life insurance industry with a Gross Premium of PKR 269 billion in 2023. The highest premium in the private sector has been written by JLIICL of 46 billion followed by EFUL & Adamjee with written premiums of PKR 37 billion and 23 billion

**SLIC removed from the graph*

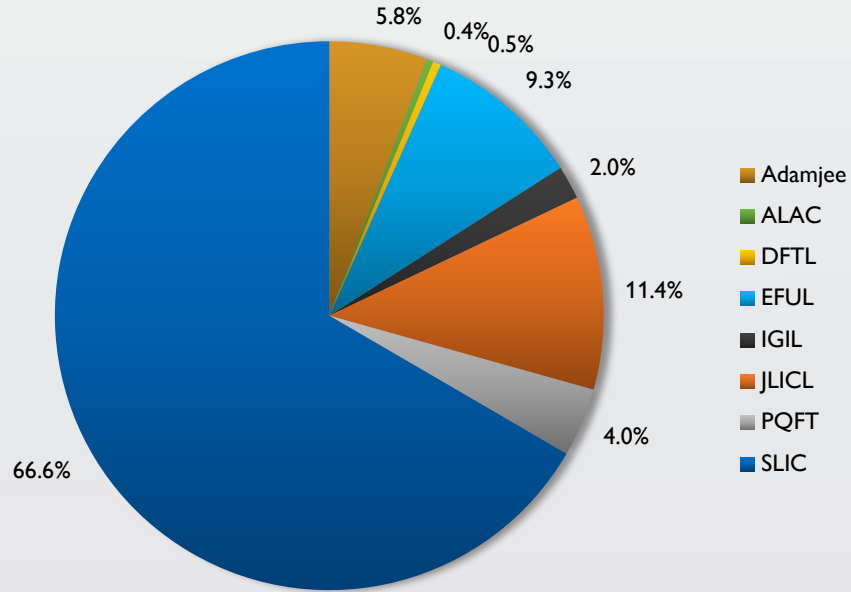
GWP 2023 - Individual & Group



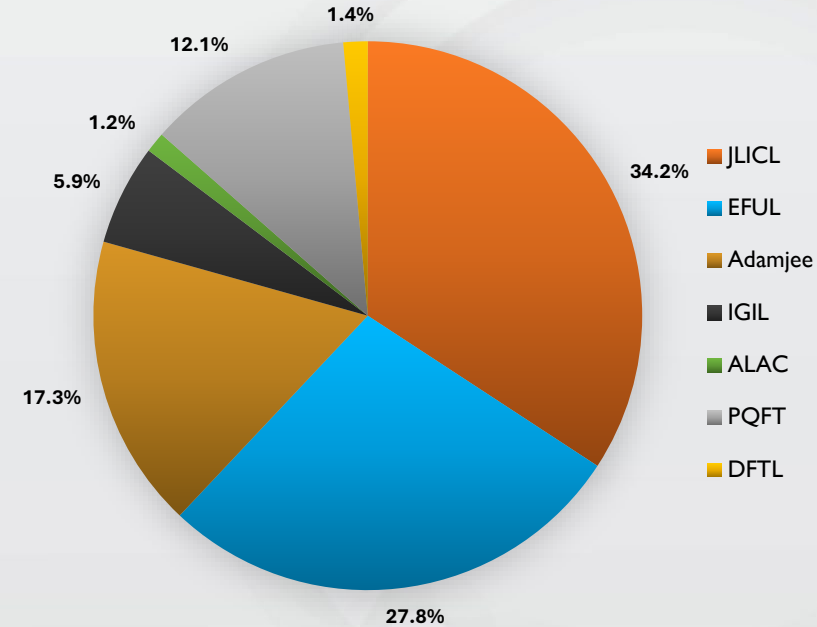
GWP 2022 - Individual & Group



Market Share - Gross Premium

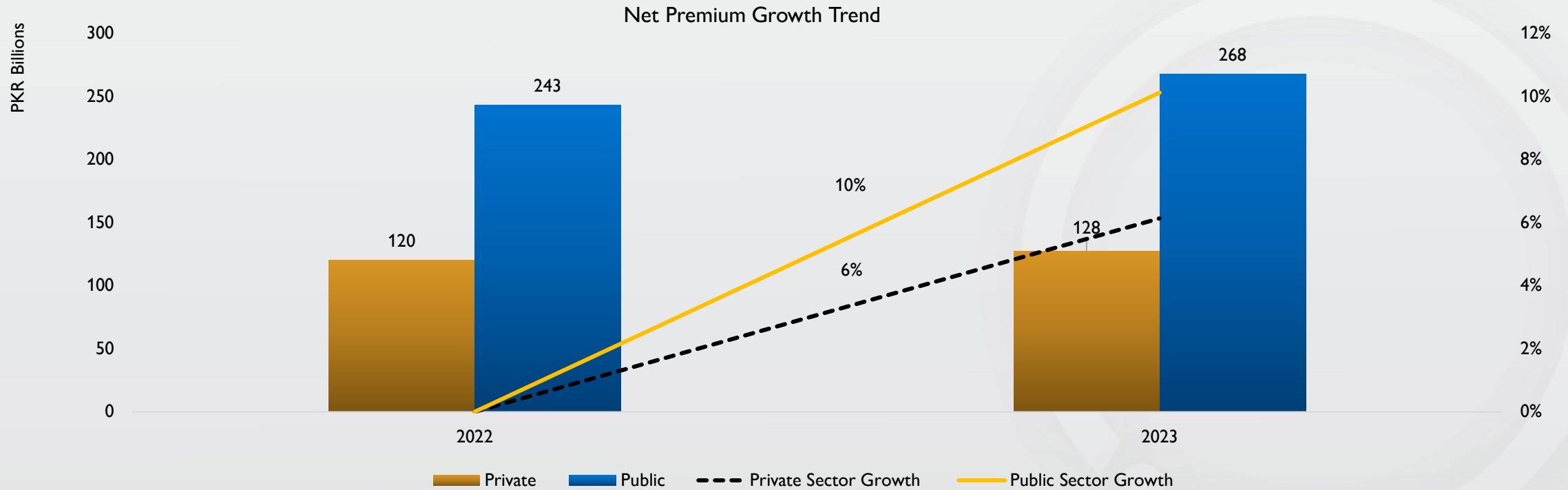


Market Share – Gross Premium (Private Sector)



SLIC holds a 67% share in Pakistan's insurance market, attributed to its strong brand recognition and government support. In the private sector life insurance industry, JLICL leads with a 11% market share based on GWP for the year ended December 2023, followed by EFUL at 9% and ALIFE at 6%.

SLIC, JLICL, and EFUL have consistently maintained their market shares for several years. New market entrants often have a higher proportion of their GWP in group policies, owing to the traditional dominance of these major players in the individual life market.



The net premium for the overall listed life insurance companies is calculated at PKR 396 billion in the year of 2023 compared to the 363 billion in 2022

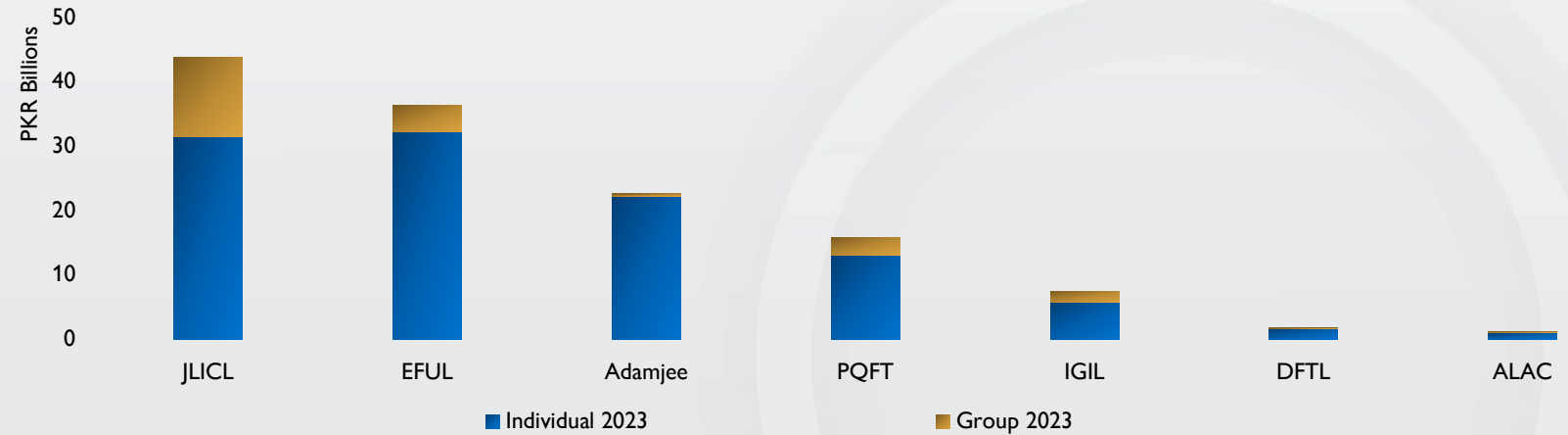
The private sector experienced a growth of 6% while the public sector experienced a growth rate of 10% which is in-line with the growth seen in Gross Premium.

JLICL leads in net premium with PKR 44 billion, followed by EFUL with PKR 36 billion and Adamjee with PKR 23 billion. In the public sector, SLIC alone generated a net premium of PKR 268 billion. This ranking mirrors the GWP standings.

The proportion of retained premiums is higher for individual policies as opposed to group policies, which is attributed to the fact that individual policies often consist of unit-linked policies that include savings and investment components, which are not typically reinsured due to the rarity of investment guarantees in Pakistan.

**SLIC removed from the graph since it was an outlier*

Net Premium 2023 - Individual & Group



Net Premium 2022 - Individual & Group



Segment Wise Net Premium Contribution



All lines of business have shown improvement except for the Group Family Takaful segment. The highest net premiums were recorded in investment-linked policies, amounting to PKR 217.5 billion, which is a 5% increase compared to the same period last year.

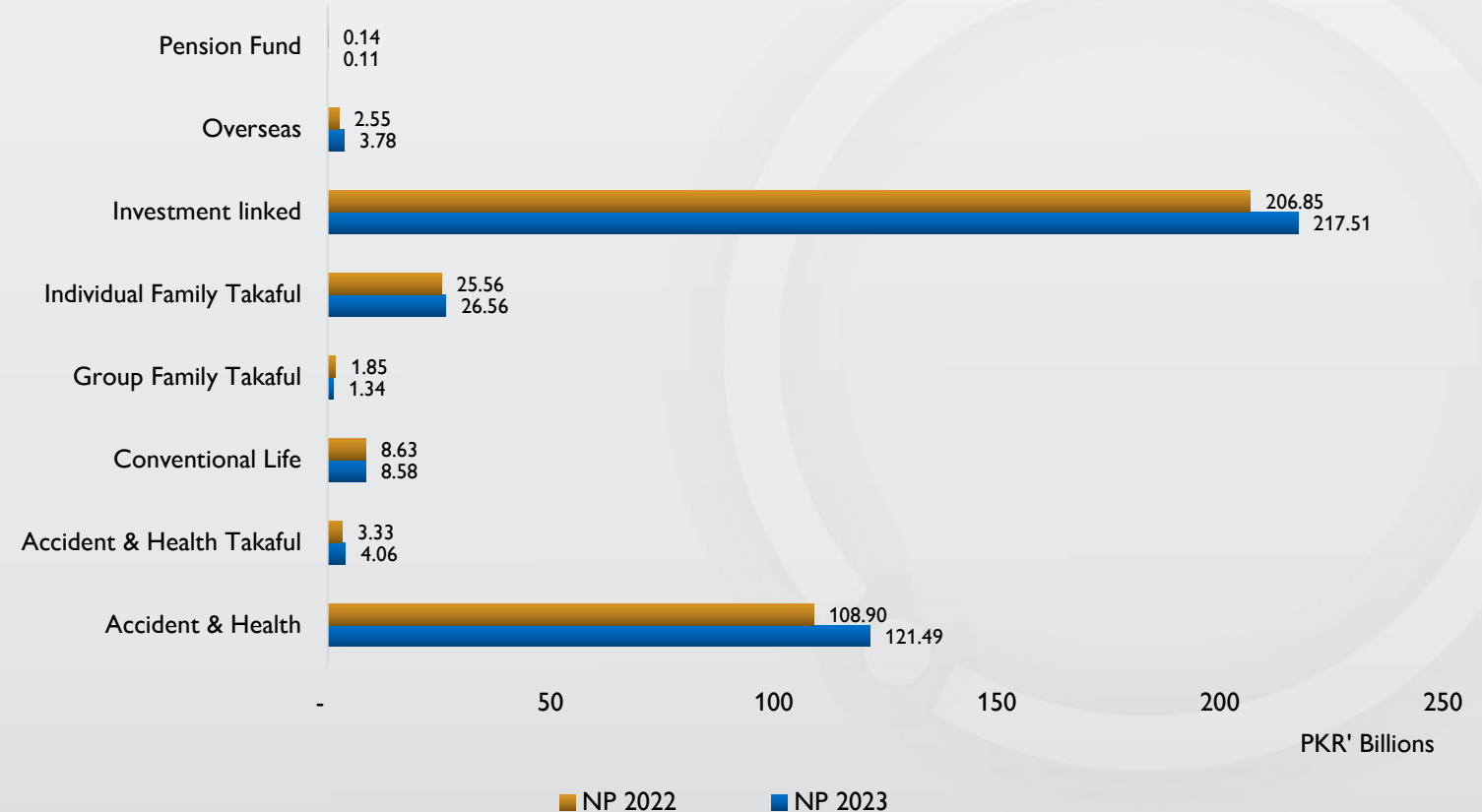
Conventional Life & Group Family Takaful are comprised mainly of corporate life schemes.

The accident and health segment has seen an increase of 22% on the conventional side and 12% on the takaful side

The overseas segment has seen a sharp increase of 48% when compared to 2022.

**This analysis has been performed using figures from segment wise revenue accounts that only disclose net figures*

Net Premium/Contribution By Lob



Ratio Of Gross Claims To Gross Premiums

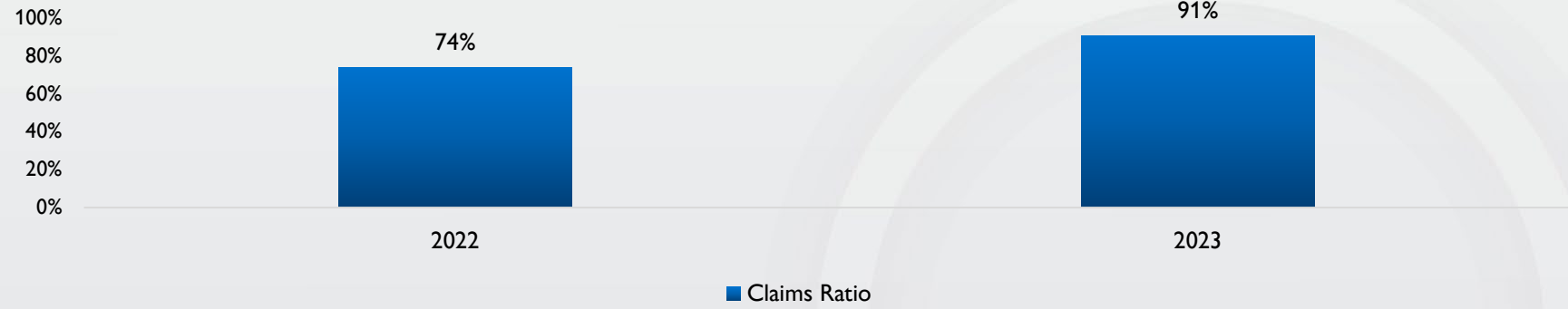


The claim ratio is calculated by dividing gross claims by gross premiums. In 2023, the average claims ratio across the market was 91%, marking a 17% increase compared to the same period in 2022.

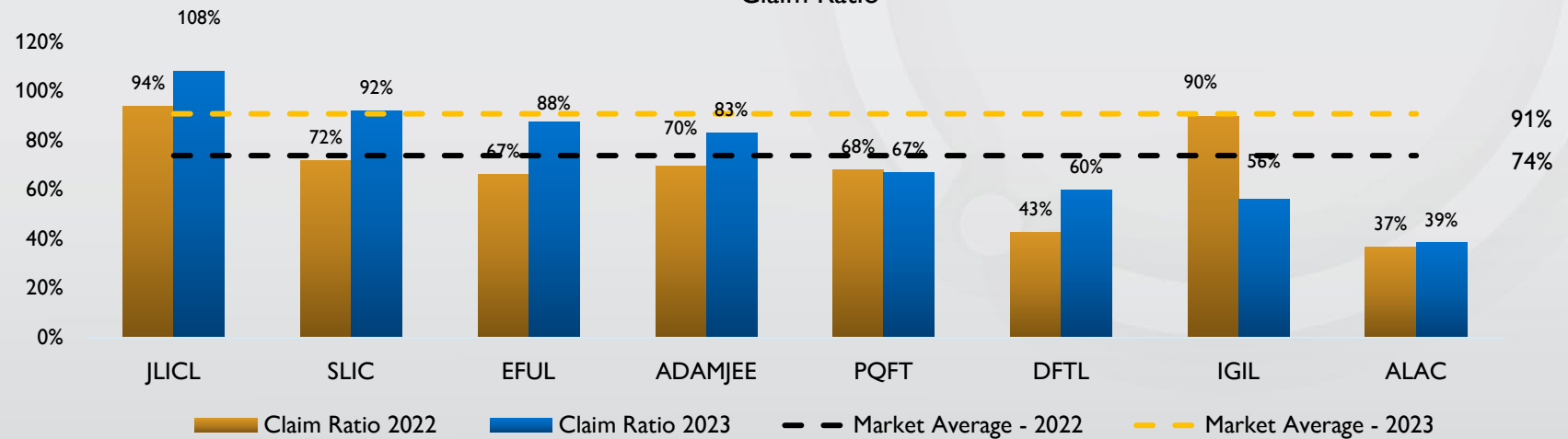
Notably, the highest claims ratio of 108% was observed in the case of JLICL, followed by SLIC at 92%.

Conversely, companies such as EFUL, Adamjee, ALAC, and IGIL exhibited claims ratios that were lower than the market average.

Claim Ratio Trend



Claim Ratio

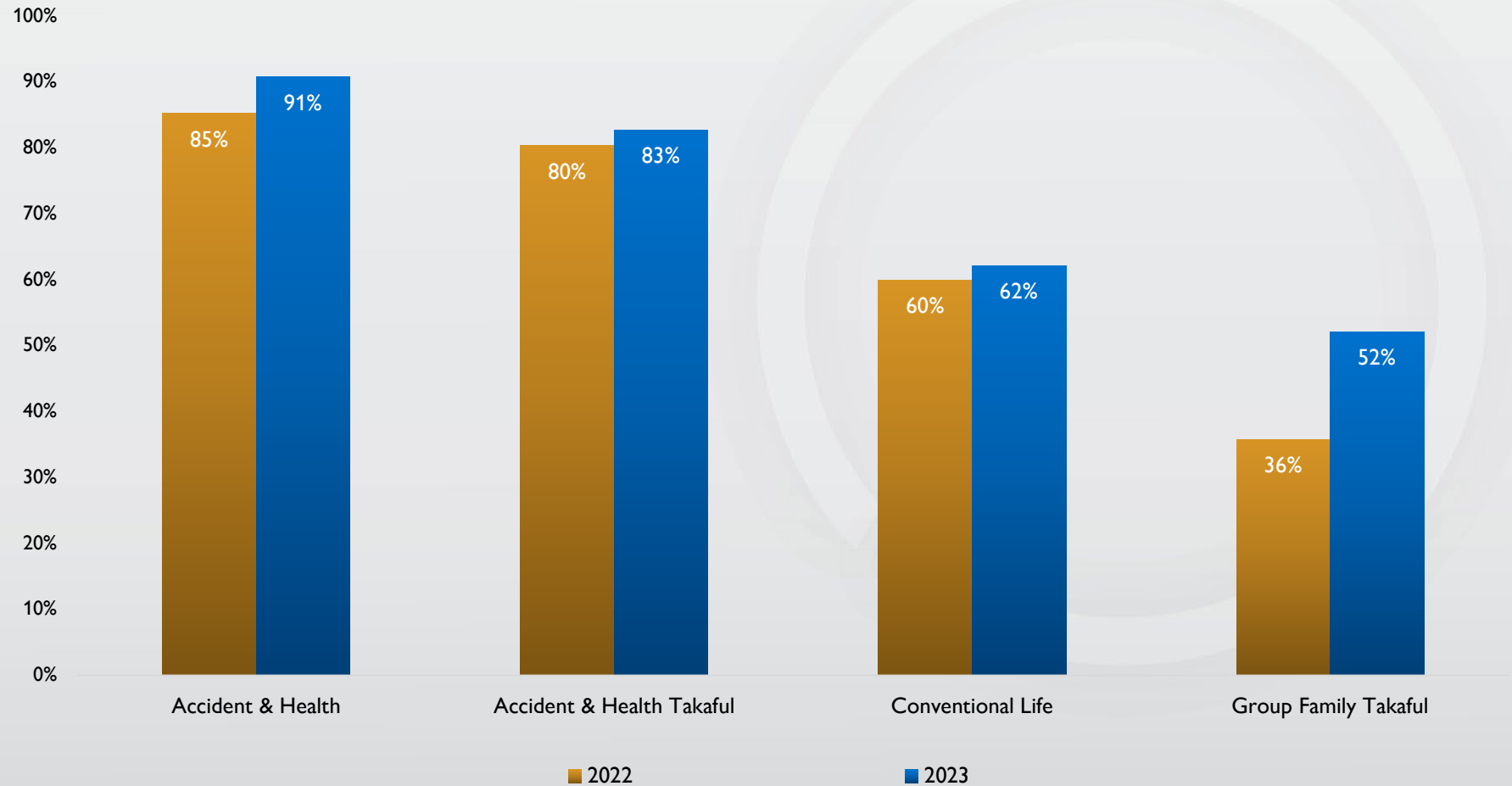


The claim ratio is calculated as the net insurance benefits over the net premium.

In 2023, claim ratios have increased compared to 2022. The investment life and pension fund sectors have seen a significant rise, while the overseas and life (participating) business has experienced a sharp decline in claim ratios. Additionally, the group family and individual family takaful segments have reported higher claim ratios

**This analysis has been conducted for segments with short-term exposure only.*

Claim Ratio By Lob

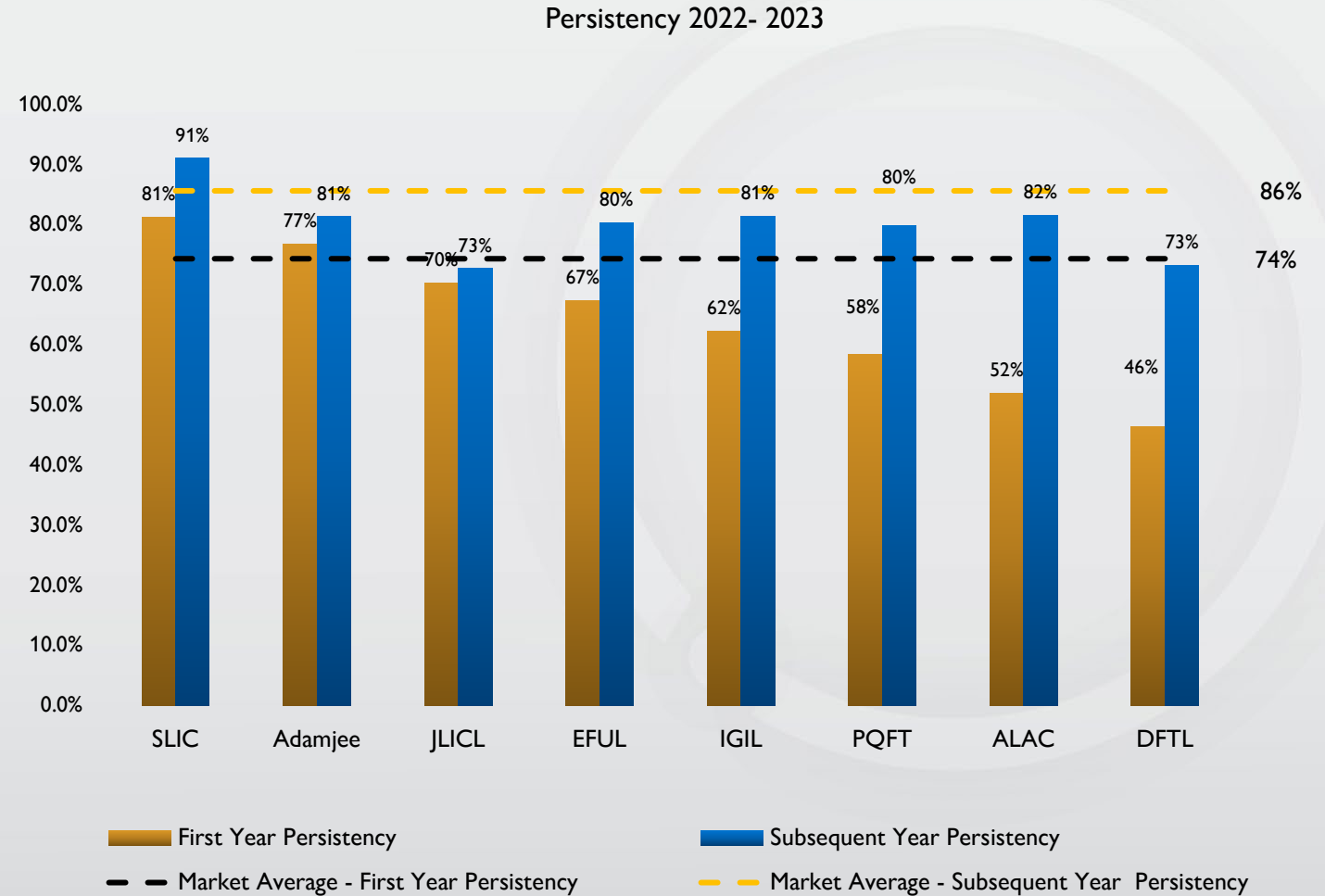


Persistency is a measure of customer retention and a vital performance indicator for life insurance companies. Here, based on the data available, first-year renewals have been calculated as a percentage of current second-year premiums(2023) divided by first-year premiums from the previous year(2022). Similarly, subsequent year persistency has been calculated as current year subsequent premiums(2023) divided by the sum of the previous second year (2022) and subsequent year premiums.

The persistency for 2023 shows that the subsequent year's persistency is greater for all companies. SLIC has the highest first-year persistence of 81%.

Policies are frequently mis-sold in the local market by uninformed agents to unaware customers, resulting in customers declining to renew their policies in subsequent years. Therefore, persistency becomes an important measure of whether policies are sold based on an actual need and has also been of particular interest to the regulator recently.

As part of the revised Corporate Insurance Agent guidelines, the SECP has introduced stringent measures in case of mis-selling along with increased requirements to ensure that policies are sold to people who are in genuine need of them. The minimum persistency thresholds for bonus allocation to agents have also been increased to encourage agents to align more effort and resources on this front.



The management expense ratio is calculated as the management expenses over the gross premium.

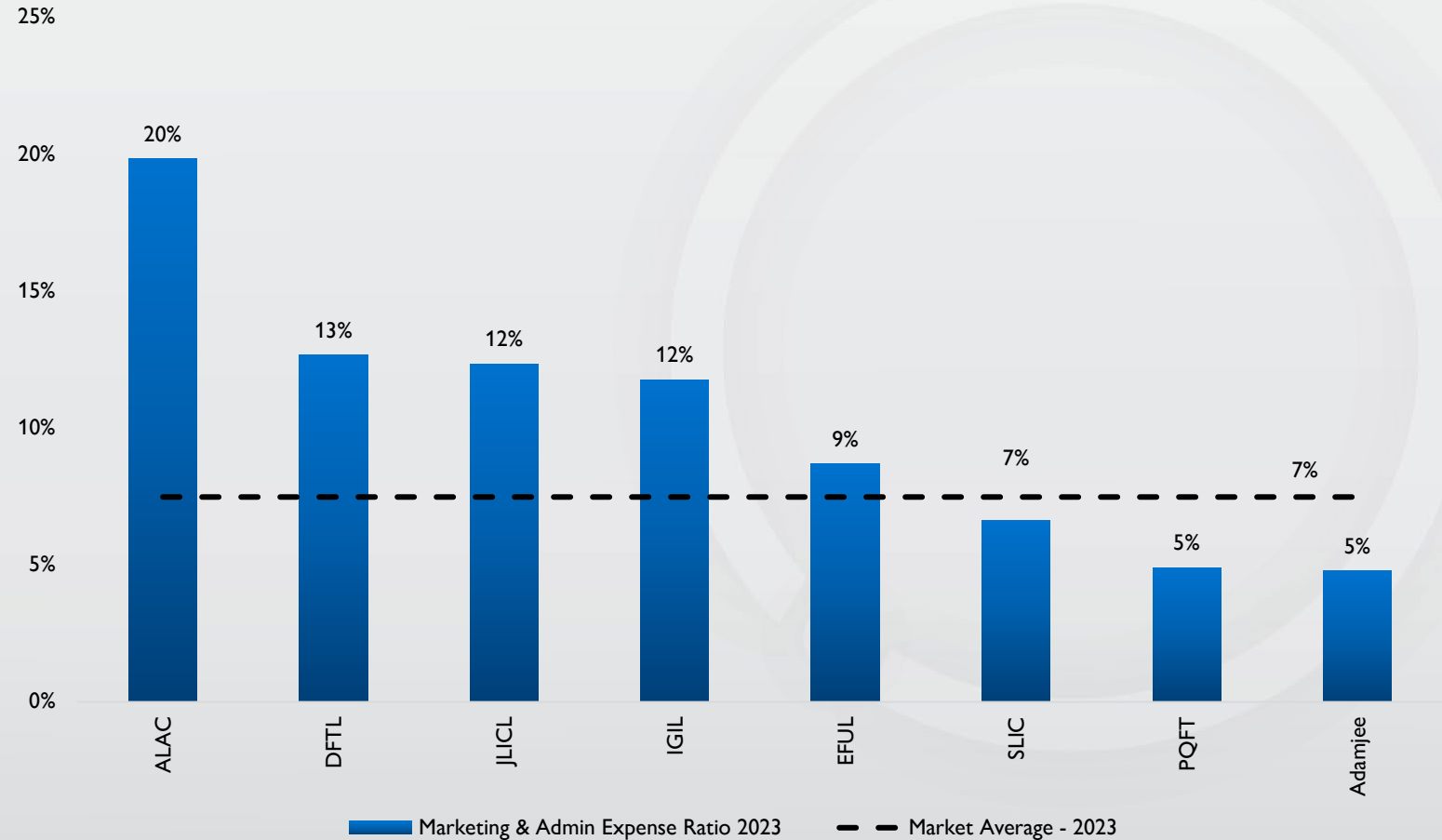
General expenses in this context encompass marketing and administration costs, excluding acquisition-related expenses. For life insurance companies, these expenses are mainly driven by advertising, sales promotion, and salaries..

The market average figure stands at 7% for 2023.

ALAC experienced the highest ratio of 20% followed by DFTL at 13%.

However, expense ratios vary significantly between companies. The leading industry players have driven market averages lower, while newer companies are still working towards an optimal expense strategy. For new entrants, the need to attract skilled talent amid established competitors and the necessity for extensive promotional programs to penetrate the market exert considerable upward pressure on overall expenses as a proportion of premiums.

Marketing & Admin Expense as a % of Gross Premium



Acquisition Expense Ratio

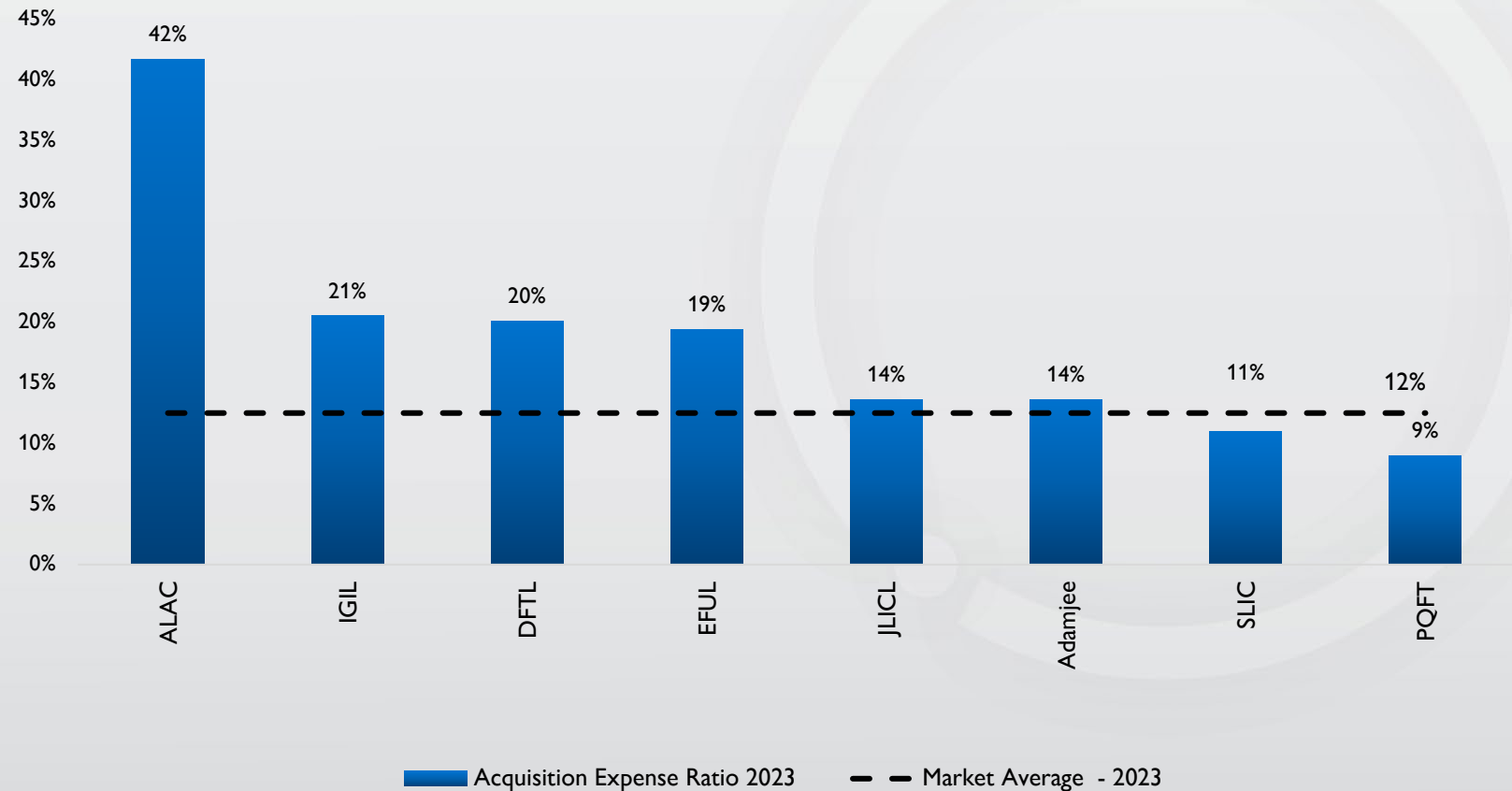


Acquisitions expenses are incurred in the process of generating revenue for the company. The market average figure stands at 12% with the highest ratio reflected in ALAC's accounts of 42% while PQFT has the lowest ratio of 9%.

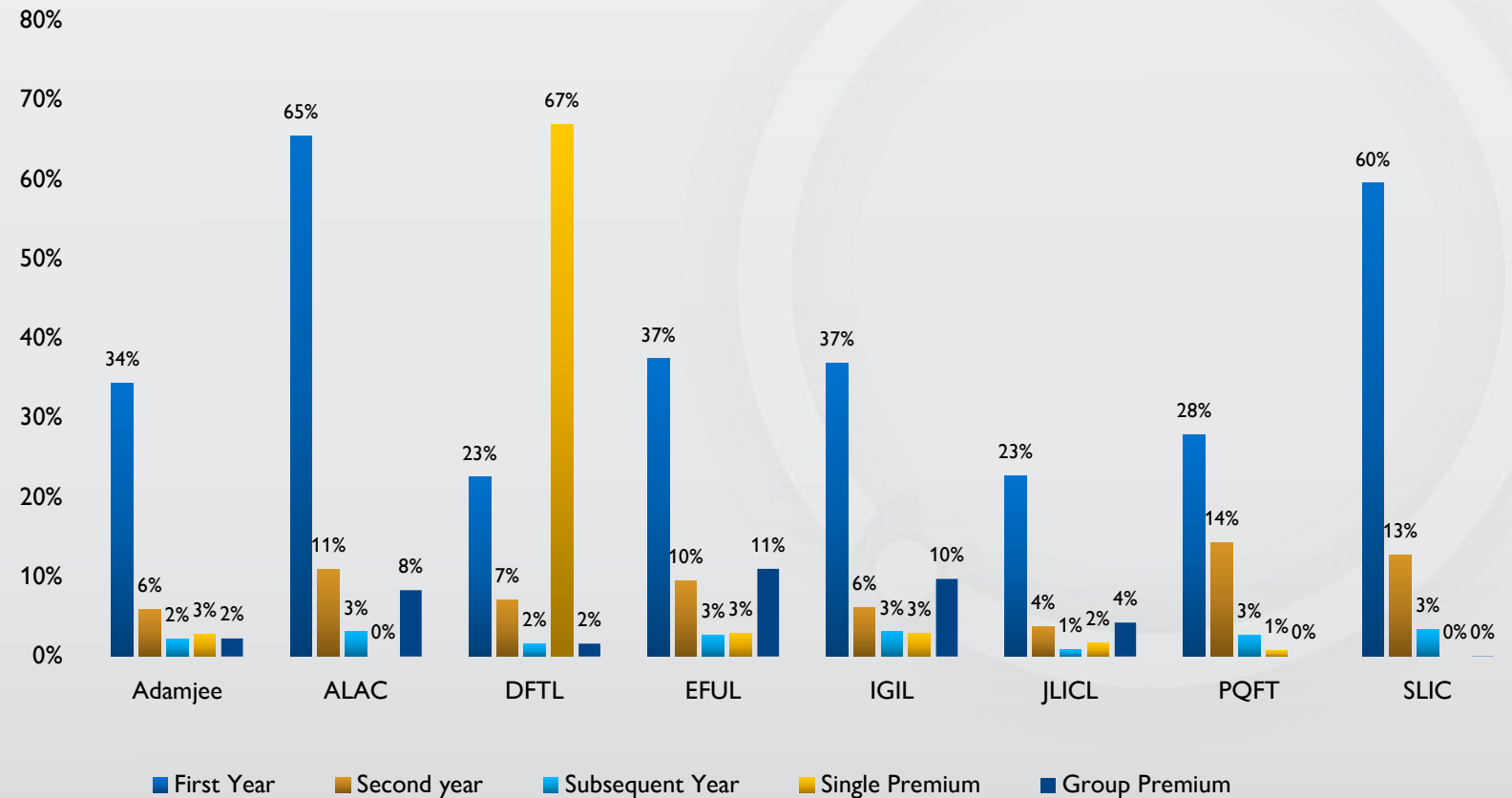
This ratio is determined by dividing acquisition expenses by gross premiums. Acquisition expenses encompass commissions paid on various life insurance products as well as the overhead costs associated with branch operations.

The market ratio has shown a year-on-year decline and is at 12% for 2023. Traditionally, agents and brokers were key sources of business for insurance companies. However, with the increased use of technology to connect with potential customers, the bargaining power of agents has diminished, leading to a reduction in acquisition expenses.

Acquisition Expense as a % of Gross Premium



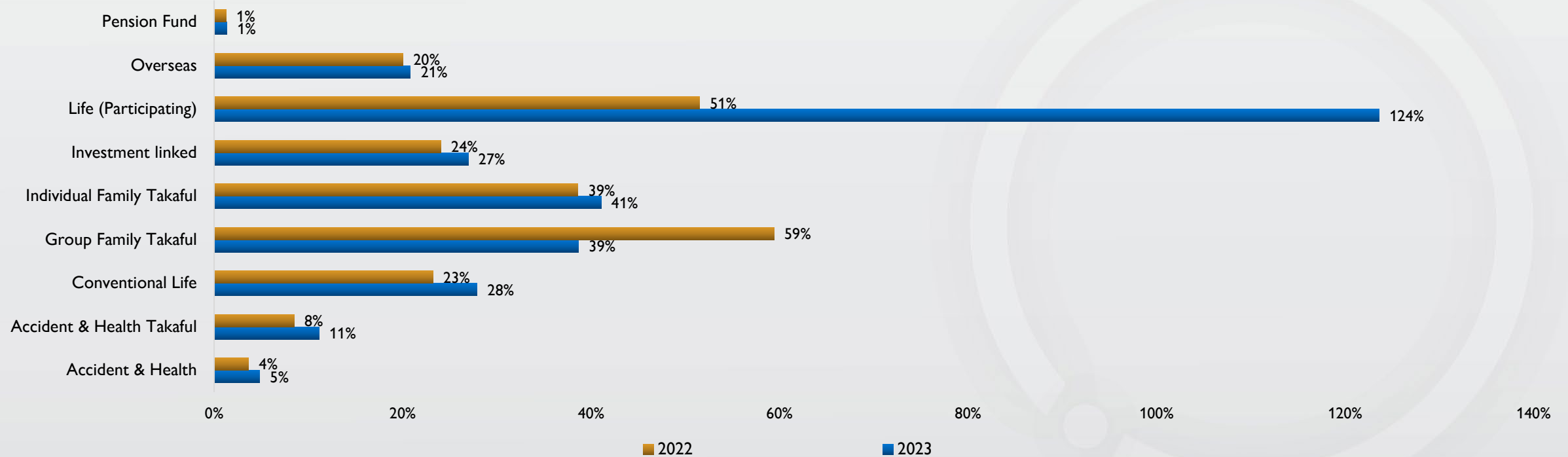
Commission as a % of Gross Premium - 2023



The bar graph shows that ALAC pays the highest commission rate of 65% on acquiring new business while DFTL pays the lowest commission rate of 23%. The commission rate for second-year business is significantly lower in the range of 4% to 14%. PQFT pays the highest commission rate of 14% on second-year business. Commission on subsequent-year business is lower than the commission on second-year business and is similar to the commission on single premium policies, except for DFTL, which has the highest single premium ratio at 67% compared to other companies. Furthermore, the commission on group policies has a similar rate to the second-year commissions with some variability with the highest rate paid by EFUL and IGIL.

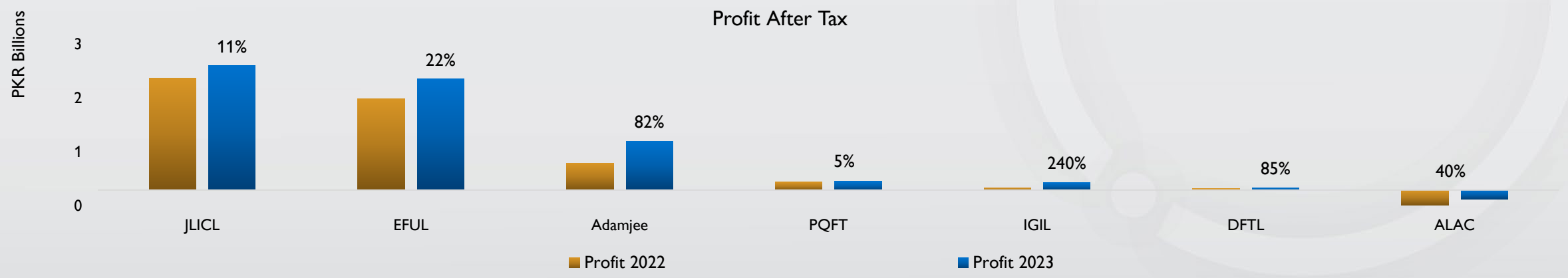
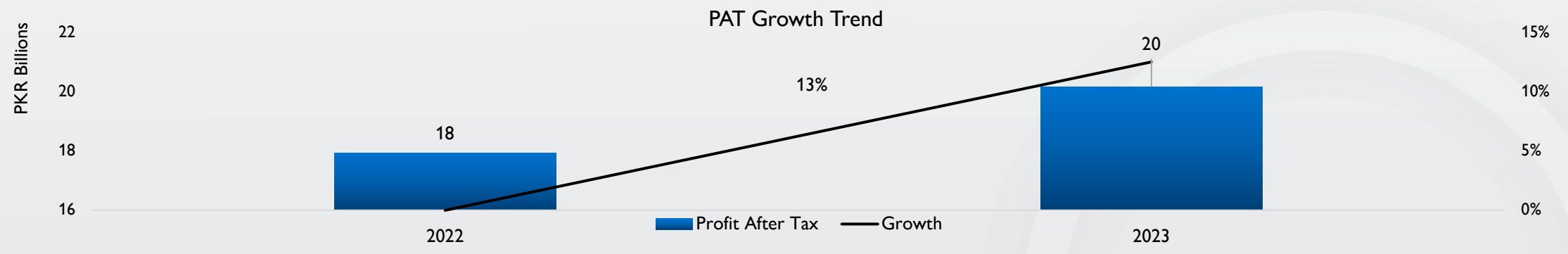
Commission percentages have decreased since 2020, primarily due to the lower maximum commission limits imposed by the revised Corporate Insurance Agent Regulations.

Expense Ratio By LOB



The graph shows that Life (Participating) businesses incur significantly higher expenses than other lines of business while also showing an exceptional increase in percentage.

All the lines of business have depicted a stable percentage 2022 to 2023.



Pakistan's life insurance industry has seen an improvement in accounting profits, reaching PKR 20 billion, an 11% increase from 2022.

SLIC reported the highest PAT at PKR 15 billion, while IGIL saw the greatest increase in profitability at 240%. All the companies reported positive profit in 2023.

SLIC removed from the graph for being an outlier.

Segment Wise Surplus / Deficit



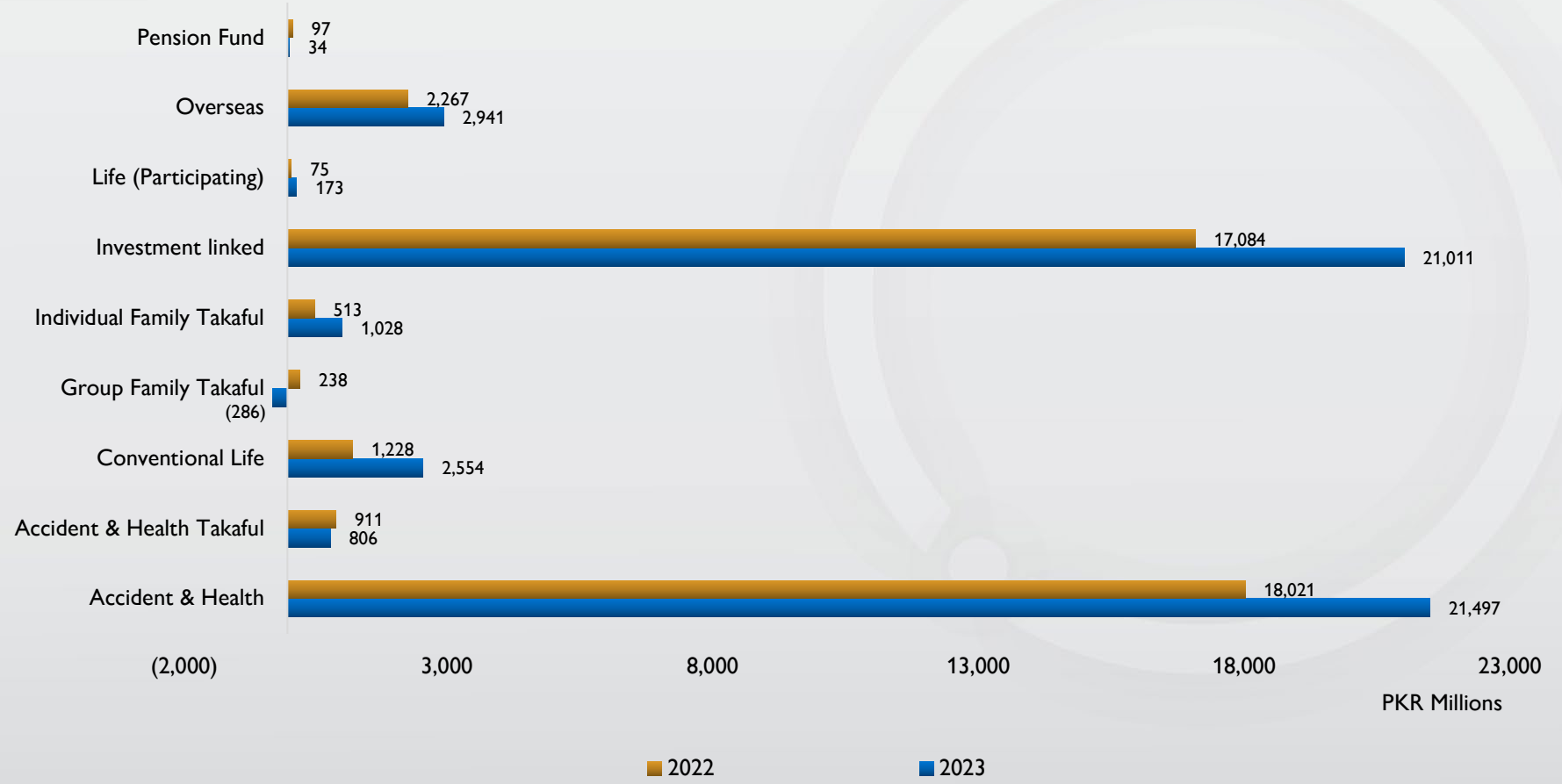
This graph shows the surplus/deficit at the statutory fund level.

It is apparent that most of the lines experienced a significant escalation in 2023.

The conventional accident and health segment has been growing annually, reflecting the overall premium trend, particularly in 2023 due to substantial premium writings. Additionally, the investment-linked business has experienced a sharp increase in 2023.

Overall, the surplus before tax experienced a year-on-year increase.

Surplus Before Tax by LOB

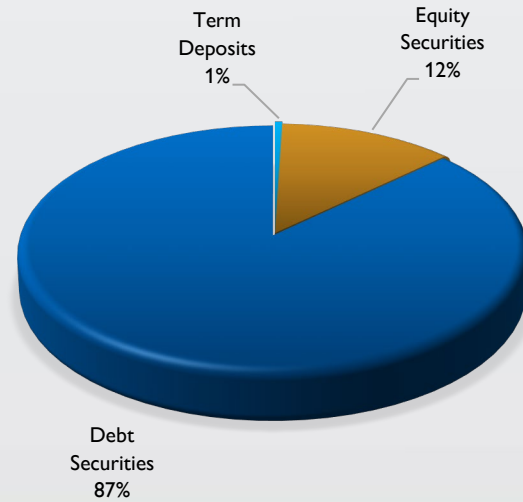




Company	Ranking		Indic.
	GWP	PAT	
SLIC	1	1	→
EFUL	2	3	↓
JLICL	3	2	↑
Adamjee	4	4	→
PQFT	5	5	→
IGIL	6	6	→
DFTL	7	7	→
ALAC	8	8	→

Premium Benchmarking

Total Investments as at 2023



■ Term Deposits ■ Equity Securities ■ Debt Securities

Total fund size: PKR 1,908 billion

The chart displays the industry’s invested assets breakdown as of 2023. Over half of these investments are allocated to debt securities, while less than one-third are invested in the equity market. Notably, more than 86% of the assets on the balance sheets of life insurers are comprised of investments.

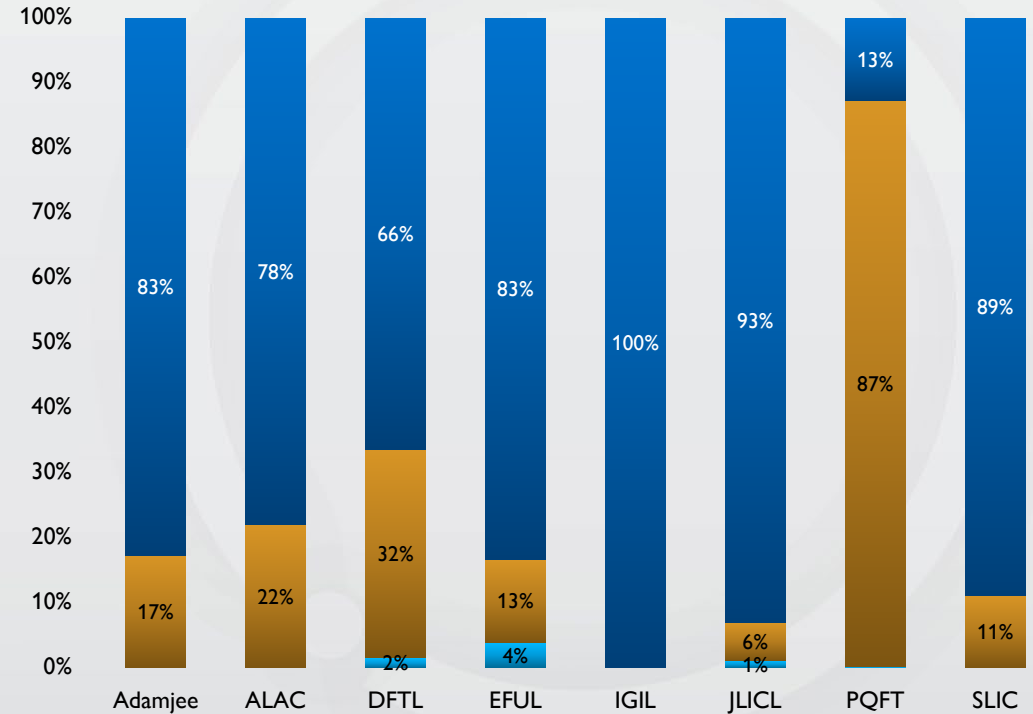
Life insurers in the region have a long-term investment horizon and a low risk tolerance. While equities can offer higher returns, their market value tends to be more volatile. In 2023, the total investments are estimated to be PKR 1,908 billion.

The bar graph shows the investments of companies by asset class.

All the companies have a major proportion invested in the debt securities. PQFT invested 87% of their business in equity securities.

The investment portfolio is reflective of the risk profile of the company with higher debt and term deposit reliance signaling a higher risk aversion.

Asset Mix



■ Term Deposits ■ Equity Securities ■ Debt Securities

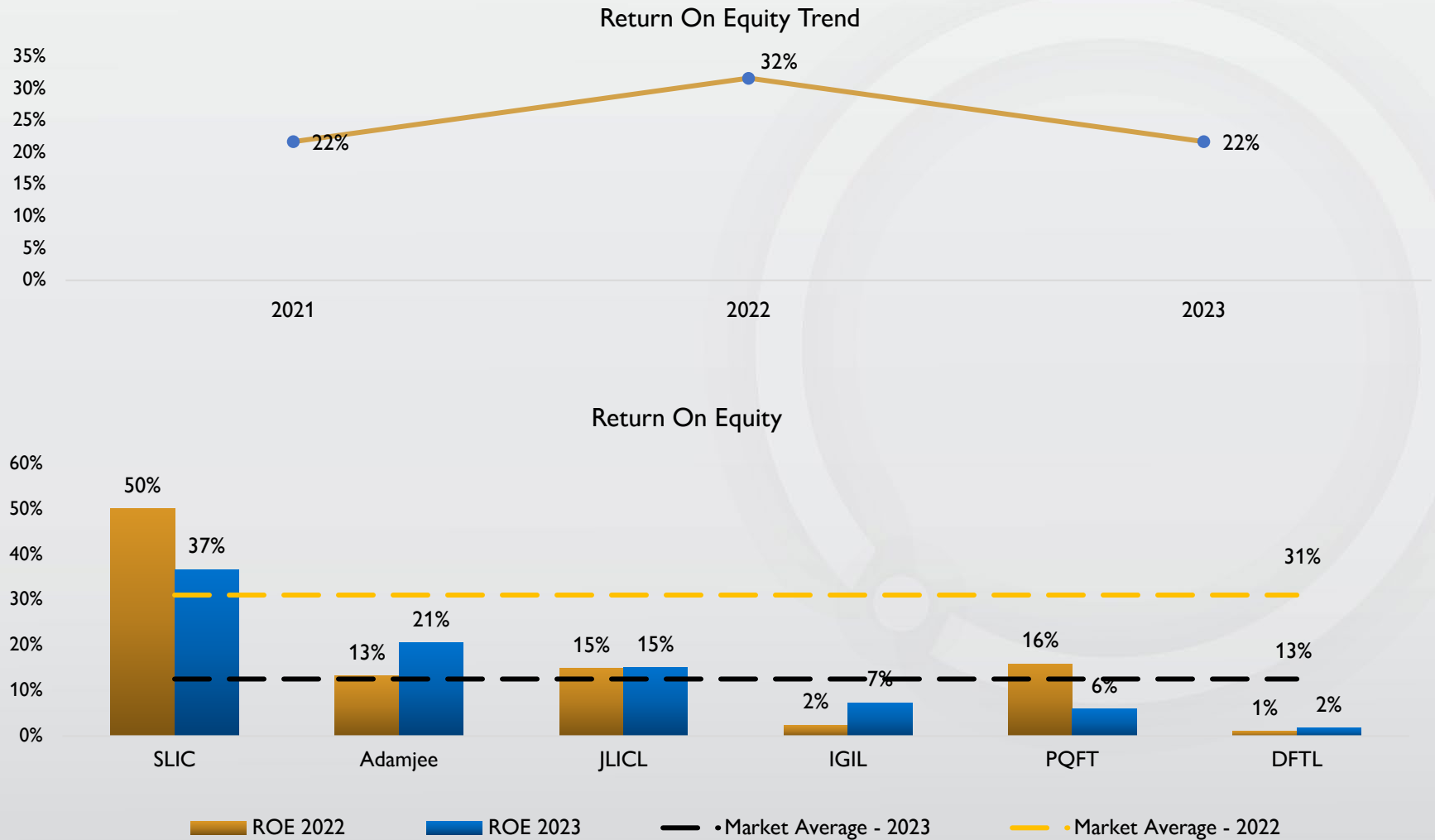
Return On Equity



The Return on equity is calculated using the PAT over the year end value for equity.

In both 2023 and 2022, only ALAC had a negative ROE. SLIC achieved the highest ROE at 37%, reflecting its strong performance, followed by EFUL with a ROE of 30%. Strong ROE figures indicate efficient utilization of company resources to generate profits.

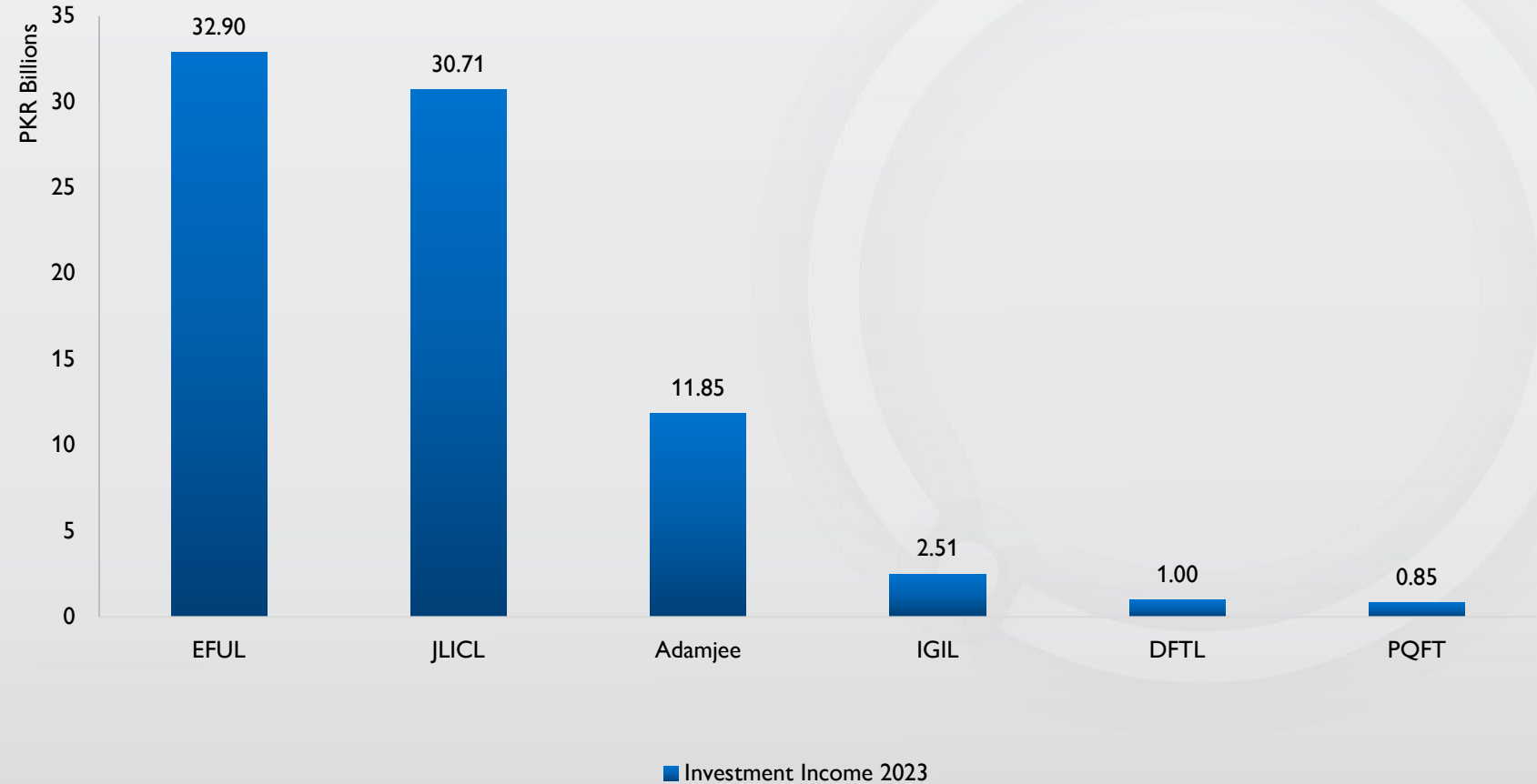
*ALAC have been removed from the graph since they are distorting the graphs.



Life insurance policies are typically long-term, which provides a longer investment horizon and enhances their capacity to generate investment income. Among the insurers, the highest investment income is generated by EFUL at PKR 33 Billion. In contrast, ALAC, generated the lowest investment income of approximately PKR 0.27 billion.

**SLIC removed from the graph since it was an outlier. It has an investment income of PKR 149 Billion with the major proportion of investment income being generated on government and debt securities.*

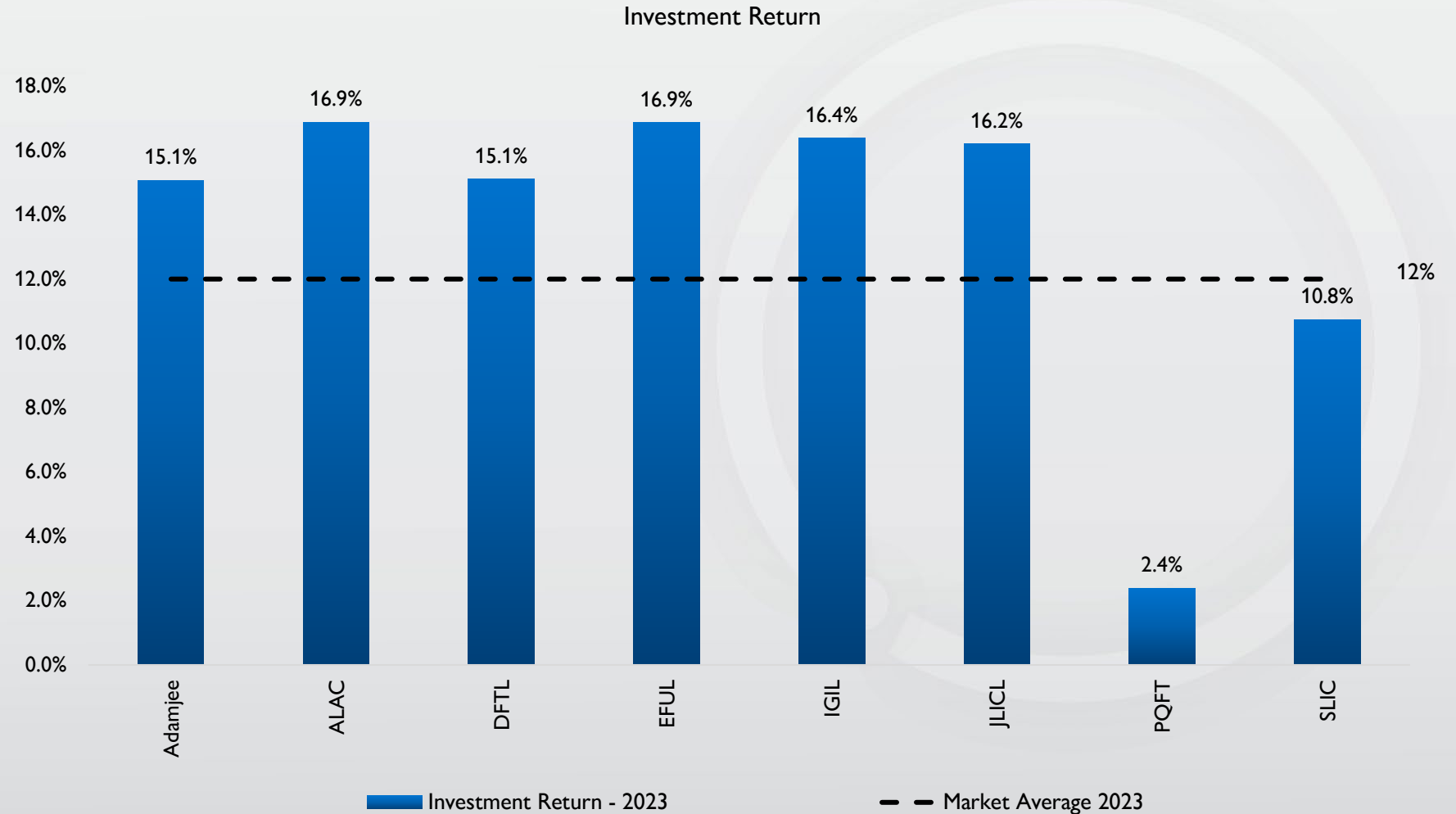
Investment Income



The investment return is computed as the total investment income over the total invested assets.

The ratio for the industry averages around 12% in 2023 which is 2% higher than in 2022.

All the companies have seen an increase in their investment returns from 2022. EFUL & ALAC has earned the highest investment return which is 16.9% with the majority of their investments lying in debt securities and term deposits. PQFT has the lowest returns of 2.4% and their investments are majorly in equity securities.





Conclusion

In 2023, the life insurance sector displayed a commendable ability to navigate economic challenges, as evidenced by the key trends observed.

In 2023, the private sector's GWP grew by 5.7%, while the public sector saw a 10% increase, with the total GWP rising to PKR 404 billion from PKR 372 billion in 2022. This overall growth signifies robust expansion and a strong ability to attract new policyholders. The industry's first-year and subsequent-year persistency rates were 74% and 86%, respectively, reflecting high customer retention and satisfaction.



Investment income reached PKR 229 billion.

The year-on-year trend showed an increase in the claim to premium ratio, which climbed to 92% in 2023 from 74% in 2022. Despite the rise in claims, the industry maintained its profitability, with after-tax profits increasing by 11% to PKR 20 billion from PKR 18 billion in 2022.

Looking ahead, Embracing digital transformation and leveraging regulatory support will be crucial for continued innovation and competitiveness. Strategic focus on improving claims management, optimizing expenses, and enhancing customer retention will be essential to sustain growth and profitability in the coming years.



Life Insurance Companies

Logos	Sr. No.	Symbol	Name	Market
	1	Adamjee	Adamjee Life Assurance Co. Ltd	PSX
	2	ALAC	Askari Life Assurance Company Ltd	PSX
	3	EFUL	EFU Life Assurance Ltd	PSX
	4	IGIL	IGI Life Insurance Ltd	PSX
	5	JLICL	Jubilee Life Insurance Co Ltd	PSX
	6	DFTL	Dawood Qatar Family Takaful	Unlisted
	7	PQFT	Pak Qatar Family Takaful	Unlisted
	8	SLIC	State Life Insurance	Unlisted

Companies Included in the Analysis



Disclaimer

- We have undertaken an analysis of the Key Performance Indicators (KPIs) of the life insurance companies in Pakistan for year ended 2023. The data has been extracted from the financial statements of those companies which were publicly listed and available till the compilation of this report.
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- As part of this analysis public sector only includes SLIC.



About Our Team

	Directors	6 Staff
UAE/ Oman Actuarial	40 Staff	Medical 7 Staff
KSA Actuarial	48 Staff	IFRS 17 15 Staff
Business Intelligence	8 Staff	HR Consultancy 3 Staff
End of Services	5 Staff	Financial Services 16 Staff
Sales	2 Staff	Strategy Consulting 1 Staff
Support & Admin	28 Staff	Data Science 6 Staff

Total Strength 185



BADRI

YE 2023 – Pakistan Life Insurance Companies



Hatim Maskawala

Managing Director - BADRI



Ali Bhuriwala

Co-founder & Executive
Director - BADRI



Omar Khan

Senior Manager - Actuarial



Hassan Athar

Senior Research Executive



Yaqeen Fatima

Jr. Research Executive

Our Team



Our Feedback

BADRI Management Consultancy is proud to present Pakistan's Life Insurance Companies Performance analysis 2023. We have a dedicated team that is working to bring you research reports. Our doors are open for feedback, and we welcome them. Feel free to inquire about the report.

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